ESRD Composite Rate Reimbursement

ESRD Reimbursement Considerations

Objective

The objective of this chapter is to provide information to FIs and ESRD facilities that will help them understand the case-mix payment calculations. This knowledge will empower ESRD facilities to develop business strategies and budgets that will enable them to operate under the updated composite rate system. FIs will use this knowledge to instruct ESRD facilities and to ensure correct payments are issued on behalf of the Federal government.

Participants will learn the following information during the course of this chapter:

- Home dialysis training rates
- Coinsurance and deductible
- Reimbursement examples

Reimbursement

Summary of Final Rule Implementing Changes to the ESRD Composite Payment Rate (Section 623 of MMA)

The ESRD composite payment rates are increased by 1.6 percent effective January 1, 2005 in accordance with section 623(a) of the MMA. Also, the composite payment rates were increased January 1, 2005 by 8.7 percent to reflect revisions to the drug pricing methodology for separately billable drugs.

There has been no action to revise the wage index at the present time because it has the potential to significantly redistribute ESRD payments. Further study is warranted before the current index can be revised. Those assessments are presently underway.

A revised basic case-mix methodology has also been adopted for adjusting the composite payment rates based on a limited number of patient characteristics, as prescribed in section 623(d) of the MMA. The variables for which adjustments will be applied to each facility's composite payment rate include age, BSA, and low BMI. Because height and weight are necessary to compute each patient's BSA and BMI, those measurements, in centimeters and kilograms, respectively, will be required on the UB 92 for outpatient ESRD services furnished on and after January 1, 2005. This final rule also provides for a case-mix adjustment of 1.62 to a facility's composite payment rate for pediatric ESRD patients (under age 18). Although the MMA requires that the basic case-mix adjusted composite payment rates be effective for services beginning January 1, 2005, the systems and operational changes necessary to implement them cannot be completed in time for a prospective January 1, 2005 effective date. The case-mix adjustments and the applicable budget neutrality adjustment of 0.9116 will be effective April 1, 2005.

Home Dialysis Training Exceptions

The home training exception is the most widely used exception and provides a higher rate for the higher cost of training a patient in fewer than the maximum number of allowed treatments. A home training exception rate may be continued. Facilities with home training exceptions will be able to retain their current exception training rates and take advantage of the case-mix adjusted rate for non-training dialysis.

Home Dialysis Training Rates

The following rates will apply for self-dialysis or home dialysis training sessions:

- For intermittent peritoneal dialysis (IPD), continuous cycling peritoneal dialysis (CCPD) and hemodialysis training, the facility's case-mix adjusted payment excluding any approved exception rates will be increased by $20 per training session, furnished up to three times per week.

- For continuous ambulatory peritoneal dialysis (CAPD), the facility's case-mix adjusted payment excluding any approved exception rates will be increased by $12 per training session, furnished up to three times per week.

Based on the example for John Smith (see Calculation of Case-Mix Adjusted Payment example below), the hemodialysis (IPD & CCPD) training rate would be his case-mix adjusted rate of $170.80, increased by the training add-on of $20 for a total training rate of $190.80. For CAPD training, the training rate would be $182.80 ($170.80+$12).

EXAMPLE

Payment Calculation Under the Case-Mix

Example 1

Adjusted Composite Rate System
The following example presents two patients dialyzing at Neighbor Dialysis, an independent ESRD facility located in Baltimore, MD.

Calculation of Basic Composite Rate for Neighbor Dialysis
Wage adjusted composite rate for independent facilities in Baltimore, MD: $134.93 Wage adjusted composite rate increased by drug add-on adjustment $134.93 X 1.087 = $146.67
Adjusted Facility Composite Rate after budget neutrality adjustment ($146.67 X 0.9116) = $133.70

Patient #1
John Smith attains age 18 on April 10, 2005 and undergoes hemodialysis. John weighs 75.5 kg. and is 181.5 cm. in height. Because John Smith attains age 18 April 10, he is considered age 18 for the entire month of April and would not be classified as a pediatric patient.

EXAMPLE

Calculation of Case-Mix Adjusted Payment

The BSA and BMI for John Smith will be calculated by the PRICER program used to compute the composite payment for each patient based on the height and weight reported on the UB 92. However, the computations of the BSA and BMI for John Smith are shown below:

BSA = 0.007184 X (height) $^{0.725}$ X (weight) $^{0.425}$
BSA = 0.007184 X 181.5 $^{0.725}$ X 75.5$^{0.425}$
BSA = 0.007184 X 43.4196 X 6.2824 = 1.960
BMI = weight/height(m) ^{2}
John Smith is 181.5 cm. in height, which converts to 1.815 meters.
BMI = 75.5/1.815 ^{2} = 22.919
The case-mix adjustment factor for John Smith, an 18 year old whose BMI exceeds 18.5 kg/m^2 and has a BSA of 1.960 is calculated as follows:
Age adjustment factor (age 18–44) 1.223
BMI adjustment factor (BMI ≥18.5 kg/ m^2) 1.000 BSA adjustment factor ($1.037^{1.960 - 1.84/0.1}$) 1.0446
Case-mix adjustment factor
(1.223 X 1.000 X 1.0446) = 1.2775
Basic case-mix adjusted composite payment
($133.70 X 1.2775) = $170.80

Patient 2
Jane Doe is an 82 year old malnourished patient who undergoes hemodialysis. Jane is 158.0 cm. in height and weights 31.25 kg.

EXAMPLE

Calculation of Case-Mix Adjusted Payment

The BSA and BMI for Jane Doe, which will be automatically computed by the PRICER program, are calculated as follows:
BSA = 0.007184 (height) $^{0.725}$ (weight) $^{0.425}$
BSA = 0.007184 X 158.0 $^{0.725}$ X 31.25 $^{0.425}$
BSA = 0.007184 X 39.2669 X 4.3183 =1.2182
BMI = weight/height(m) ^{2}
Jane Doe is 158 cm. in height, which converts to 1.580 meters

BMI = $31.25/1.580^2 = 12.5180$
The case-mix adjustment factor for Jane Doe, an 82 year old whose BMI is less than 18.5 kg/m^2 and has a BSA of 1.2182, is calculated as follows:
Age adjustment factor (age 80+) 1.174
BMI adjustment factor
(BMI ≤18.5 kg./ m^2) 1.112
BSA adjustment factor
$(1.037^{1.2182–1.84/0.1})$ 0.7978

Case-mix adjustment factor
(1.174 X 1.112 X 0.7978) = 1.0415
Basic case-mix adjusted composite payment
($133.70 X 1.0415) = $139.24

Example 2

Linda Jones is age 16 and undergoes peritoneal dialysis at Community Hospital, a hospital-based facility in New York City. Linda weighs 35 kg and is 160.0 cm in height. The basic composite rate for Linda Jones is calculated as follows:
Wage adjusted composite rate for hospital-based facilities in New York, New York: $146.35
Wage adjusted composite rate increased by drug adjustment factor
($146.35 X 1.087) = $159.08
Adjusted Facility Composite Rate after budget neutrality adjustment
($159.08 X 0.9116) = $145.02

Because Linda is a pediatric ESRD patient, the automatic pediatric adjustment factor of 1.62 applies. Neither the age, BMI, nor BSA adjustments are applicable because Linda is less than age 18. Pediatric adjusted composite rate
($145.02 X 1.62) = $234.93

If Community Hospital were entitled to a composite rate exception, then the provider could elect to retain its exception rate in lieu of receiving the otherwise applicable pediatric payment rate of $234.93.